

## Message Text

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ACTION NEA-06

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 AF-04 EUR-10 SP-01

L-02 STR-01 SAM-01 PRS-01 EB-03 IO-03 FEAE-00 INT-01

OMB-01 TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 COME-00

NEAE-00 DRC-01 /068 W

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P R 301700Z MAY 74

FM USINT ALGIERS

TO SECSTATE WASHDC PRIORITY 0596

INFO AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USMISSION OECD PARIS

C O N F I D E N T I A L ALGIERS 1200

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJ: POSSIBLE DEMARCHE TO ALGERIA ON CRUDE OIL PRICES

REF: OECD PARIS 12696

1. WHILE RECOGNIZING DESIRABILITY OF HEADING OFF  
MOVEMENT TO RAISE PRICES AT OPEC'S JUNE 15 MEETING,  
WE QUESTION WHETHER DEMARCHE TO ALGERIANS ALONG LINES  
SUGGESTED REFTEL WILL HAVE ANY CONSTRUCTIVE EFFECT.  
WITH LIMITED PETROLEUM RESERVES AND AN AMBITIOUS  
DEVELOPMENT PLAN THAT WILL UTILIZE ALL PROSPECTIVE  
PETROLEUM INCOME AND THEN SOME, ALGERIANS  
SEE IT IN THEIR INTEREST TO PUSH PRICE AS HIGH AS  
TRAFFIC WILL BEAR. IN FACT, THEY ARE NOW TRYING TO  
NEGOTIATE HIGHER MARKET PRICES EVEN IN FACE OF  
REDUCED LIFTINGS BY SOME US MAJOR OIL COMPANIES.

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2. WE WOULD SEE ADVANTAGE IN TALKING TO ALGERIANS

ABOUT COOPERATION BETWEEN PRODUCERS AND CONSUMERS TO STABILIZE CRUDE OIL PRICE AND SUPPLY IF WE HAD SOMETHING CONCRETE TO OFFER. ALSO, IF THERE IS AN ARGUMENT THAT ALGERIA'S OWN NARROW ECONOMIC INTEREST WOULD BE SERVED BY NOT RAISING PRICES, WE WOULD WANT TO MAKE IT. TO GO IN, HOWEVER, WITH LINES OF ARGUMENT WHICH ARE, IN ALGERIAN EYES, UNCONVINCING OR EASILY ANSWERABLE WOULD IN OUR JUDGMENT DO MORE HARM THAN GOOD TO THE FRAGILE BUT PROMISING BEGINNINGS OF A DIALOGUE THAT US LEADERS HAVE RECENTLY ESTABLISHED WITH ALGERIA.

3. HAVING SAID THIS, WE HAVE BEEN STRUCK BY INEFFECTIVENESS OF NON-OIL PRODUCING LDC'S IN PROMOTING THEIR OBVIOUS INTEREST IN LOWER OIL PRICES WITH ALGERIANS. ACCORDING TO FRENCH SOURCES, FOMIN BOUTEFLIKA COMBATIVELY AND SUCCESSFULLY BEAT DOWN AFRICAN SUGGESTIONS AT DECEMBER OAU MEETING IN KAMPALA THAT THEY HAD CLAIM TO FAVORABLE OIL PRICE TREATMENT IN EXCHANGE FOR BREAKING RELATIONS WITH ISRAEL LAST FALL. ALGERIA APPEARS ALSO TO HAVE ASTUTELY PRE-EMPTED COHESIVE AFRICAN POSITION ON THIS ISSUE BY STRENGTHENING ITS BILATERAL RELATIONS WITH AFRICAN OIL PRODUCERS AND CONVINCING OTHER MINERAL RICH STATES (ZAIRE, GUINEA) THAT THEY HAVE MORE TO GAIN BY FOLLOWING THE OIL PRODUCERS' EXAMPLE WITH REGARD TO THEIR OWN RESOURCES THAN BE SEEKING TO BRING OIL PRICES BACK DOWN. FACT REMAINS, HOWEVER, THAT ALGERIANS ARE SENSITIVE ON THIS ISSUE AND GRATIFIED THAT TO DATE NO FORCEFUL "FOURTH WORLD" MOVEMENT TO LOWER OIL PRICES HAS EMERGED.EAGLETON

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## Message Attributes

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